Comments Received
Before
August 3, 2005

Bowers Oil & Gas, Inc.

2532 Patterson Road, Suite 11
Grand Junction, CO 81505-1097

JAMES E. BOWERS
President

Phone: (970) 245-1342
Fax: (970) 243-7787

RECEIVED
JUL 28 2005
D.N.R.C.

July 26, 2005

Dept. of Natural Resources & Conservation
Trust Land Management Division
P.O. Box 201601
Helena, MT 59620-1601

Re: Royalty rate increase for State oil and gas leases

Dear Sir or Madame:

This letter is written in response to the Department's recommendation to increase the royalty rate to 16.67%.

During the past several years we have drilled several wells, and have entered into a number of leases, on State Lands. While probably not a surprise, we don't feel an increase is in the best interests of all involved. Our industry is being hit with price increases from all sources, and with higher oil and gas prices these increases are being absorbed. However, with any price weakness activity will fall off first, and most severely, in the States where the cost burdens are greatest. While Montana's tax structure is better than it was say 15 years ago, it is still the highest in the Rocky Mountain area. If you believe you can "inch up" costs/burdens, such as this royalty rate proposal, without resulting decreases in activity I believe you are wrong. I recommend you consider a contrarian approach, and target increased production volume and activity by keeping the present burdens unchanged.

Sincerely,

James E. Bowers

James E. Bowers
President

JEB:lsc

Croft PETROLEUM CO.

OIL AND GAS PRODUCERS
JERRY CROFT, PRESIDENT

PETROLEUM CENTER BUILDING
214 NO. CENTRAL AVE.
P.O. BOX 397
CUT BANK, MONTANA 59427
TELEPHONE (406) 873-5547
FAX (406) 873-5549

RECEIVED
JUL 21 2005
D.N.R.C.

July 20, 2005

Department of Natural Resources and Conservation
Trust Land Management Division
P. O. Box 201601
Helena, MT 59620-1601

Re: Leasing State Minerals for Oil and Gas

Ladies and Gentlemen:

I have read in the Great Falls Tribune where you are contemplating raising the royalty rate on State oil and gas leases from 12.5% on gas and 13% on oil to 16.667%. Your justification for this is a comparison between the state leases and private leases. I believe the state leases are already structured to bring in more revenue to the lessor than any other lease form except maybe tribal leases. I hope you will not increase the royalty rate to 1/6. Years ago the state went to a sliding scale royalty based on production rates. This approach is a better answer than a across the board 33% increase in royalty rate.

Attached you can see a general comparison of lease forms used by the industry for private minerals, state of Montana leases, federal leases, and tribal leases. You can see that overall the State's lease is the most expensive to the lessee; especially when you consider that most state leases probably do not bear royalty since no production is found and the rentals escalate toward the end of the primary term.

I hope you will seek input from lessees when you consider changing lease terms.

Sincerely,

Jerry Croft

Comparison of leases: private, state, federal and tribal				
	Private	State;	Federal	Tribal
Leasing Process;	private negotiation with mineral owner	competitors invited to sale	competitors invited to sale.	competitors invited to sale and private negotiation
Lease packages	Any size as agreed	generally less than 640 ac.	?	?
Bonuses	as agreed	out bid competitors	out bid competitors	out bid competitors
Royalty	standard is 12.5%	12.5% gas, 13% oil	12.50%	16.67%
Primary term	3,5,10 yrs as agreed	10 years	10 years	3 years
Extended term	applies to all lands all depths	loose depth beyond drill bit	loose nonproductive lands	applies to all lands all depths
Rental	$1/ac/yr during primary term ceases after royalty is paid	escalates during primary term rental never stops	$1.50/ac. with minimum royalty	minimum royalty equals rental

Mason, Monte

From: EHOil@aol.com

Sent: Tuesday, August 02, 2005 11:25 AM

To: Mason, Monte

Subject: Increase in royalty rates on state lands--NO!!!!!!!

Dear Mr. Mason,

I am amazed that the great State of Montana in which I was born is once again trying to drive industry out of its borders. The greed in this State is abysmal, especially under the auspices of the new Governor.

Obviously, the powers to be in the HELENA, don't remember why the oil and gas industry left Montana over twenty years ago. Excessive taxation is the answer. Back then there were severance and ad valorem taxes in excess of 25%.

It has taken over the twenty plus years to get industry to move back in. This resurgence is evidenced in the activity in Richland County, Montana. However, this play is limited in its scope and will play out in the near future--one to two year. This is the time to get industry looking elsewhere in this State for development projects. This is a time for incentives,not disincentives.

Just a few years ago there were zero rigs running in this State and the State of North Dakota.

I think it would be to Montana's benefit to avoid increasing fees, taxes, and royalty rates.

One comment on the proposed increases in damage payments by oil and gas operators on State lands. This is also a greedy position to take. I believe that payments should be equal to the actual value of the land on which wells or other activities are proposed. Not some arbitrary figure put forth by the State of Montana based on perception of activity in other areas.

As a royalty owner and oil and gas promoter, the increase in fees, taxes and royalties is a huge burden on me doing business in Montana. You are taking away my ability to make economic deals in the industry.

If Montana is concerned about revenues than I suggest that they look within their ranks and work to become more efficient and reduce the overhead associated with it.

If you look around at the leasing activity throughout the Rocky Mountain states, the leasing activity has been prioritized with fee leases being acquired first, State lands second and Federal lands last. This prioritization comes due to the ease and cost of doing business on the lands in question.

The federal lands are everyones last resort to get leases because they come with tremendous burdens and ominous restrictions. No one wants to deal with them unless totally necessary. Please, don't put yourself and this State in that position.

Thank you for your attention on these urgent matters.

Sincerely,

Eric H. Olsen
Montana Native Resident

Mason, Monte

From: John Kemp Jr. [kemp@nemontel.net]

Sent: Monday, July 25, 2005 8:26 AM

To: Mason, Monte

Subject: Royalty rate increase

Dear DNR,

First of all please do not increase the royalty rates. I have been in the leasing business here in Eastern Montana for 24 years. Most of us generating royalty for landowners are willing to buy a state lease because the royalty is low enough to take the risk. So far few of the state leases we have bought have been productive. I have been buying fee leases at 12.5% to 15% royalty. The advantage of the lower royalty is "when" and not "if" the well increases in water over Oil the margin of profit goes down, but sometimes the operator can hang on, but the royalty never changes. If that royalty is too high the decision to plug the well and move on is very easy. Then when Oil prices go up or down and the hole is plugged the loser is the Royalty owner who gets nothing and probably never again gets a well on the lands.
Also, I have seen people speculate on State leases because of low bonuses and low royalty rates. They do this because they don't have access to seismic data or good geologic information but are willing to get in a play or create one. Without this enviornment there will be no leasing and thus no bonuses and defintely no production. If the State of Montana has a geologic dept. who could determine known geologic areas that would have a good chance of production then holding out those lands for lease at different rates would be warranted. You got to remember most lands here in montana do not produce oil or gas so if you could have every acre leased every year you would be farther ahead economically.
Thank you for your time, John H. Kemp Jr., 406 765-1127

Mason, Monte

From: Don Kennedy [Don.Kennedy@farm-credit.com]

Sent: Friday, July 29, 2005 12:20 PM

To: Mason, Monte

Subject: Royalty Rate

Monte Mason
Montana DNRC
Helena, MT

Mr. Mason:

I am responding to your 7/20/05 request for comments regarding raising the State's oil & gas lease royalty rate. Generally, I believe it would hinder the exploration of Montana State minerals if a state-wide 1/6th royalty rate is established. There are too many frontier areas where such a rate could retard development. You definitely do not want to negotiate the royalty rate on a lease by lease basis. Therefore, I would suggest you establish the lease royalty rate on a county by county basis. Generally, where there is exploration and production establish a higher royalty rate. The northern tier counties could handle a 15% royalty and the Williston Basin counties could handle a 1/6th royalty rate.

I have managed the minerals owned by Farm Credit (the old Federal Land Bank) since 1976. I negotiate every lease, but I also have minimum royalty rates for the various counties generally as outlined above. You want the royalty rate to be high enough to provide additional revenue when there is production, but if the rate is so high that folks are not buying leases, there will not be any revenue at all.

Sincerely,

Donald B Kennedy
Authorized Agent
Farm Credit Mineral Operations
509-340-5368

So far you've managed to make CBM impossible to explore for and now you're after the rest of the goose. I can remember when no one wanted to drill in MT because of the high taxes. You finally got that problem resolved and now that Mont. has exceeded No. Dakota in activity you seem determined to reverse that again.

J R Kerns, geol.

J. R. Kerns
P.O. Box 613
Casper, WY 82602-0613

MCR, LLC
P.O. BOX 716
SHELBY, MONTANA 59474
(406) 434-5186

August 03, 2005

Mr. Monte Mason
Montana DNRC
P.O. Box 201601
Helena, Montana 59620-1601

Re: Comments-Royalty Rate Review

Dear Monte:

I have read the department's recommendation to the board, recommending a flat royalty rate of $1/6^{th}$ (16.67%). The royalty rate seems justified, perhaps, during high commodity prices. However, it assumes that all State oil and gas leases can be explored, developed, and produced on an equal risk and economic basis.

Obviously, State lands that lie outside known geological boundaries have higher risks associated with those properties. I think the State should consider a lower royalty rate on those type of leases, to encourage exploration. North Dakota has recognized this with their two tier royalty rate.

Secondly, the costs of producing secondary and tertiary oil is much greater than producing a barrel of primary oil. Secondary and tertiary production, as you know, requires large initial investments with production response unpredictable and realized over long periods of time. Therefore, to encourage these types of projects, I would suggest a lower State royalty rate.

Thirdly, with respect to stripper production for both oil and gas, again I would suggest the State land board consider a lower royalty rate. This type of production is marginal, even with high commodity prices. When commodity prices decline, these wells are often shut in, resulting in minimum royalties or rentals being paid. Consideration should be given by the Board to adopt a royalty rate that encourages oil and gas companies to produce these types of properties.

Sincerely yours,

Gary McDermott
Managing Member

AREA CODE 303
PHONE 220-7772
FAX 220-7773

J. C. THOMPSON FAMILY PARTNERSHIP LLP
7979 EAST TUFTS AVENUE PARKWAY, #815
DENVER, COLORADO 80237-2843

July 27, 2005

VIA E-MAIL

Monte Mason
Mineral Management Bureau Chief
MT Dept. of Natural Resources & Conservation
Helena, MT 59620-1601

RE: ***REQUEST FOR COMMENTS – OIL & GAS ROYALTY RATE REVIEW***

Dear Mr. Mason:

This is written in response to the Montana DNRC request for comments regarding the Department's recent recommendation to increase oil and gas royalty rates on State school trust lands to 16.67 percent from current rates of 12.5 percent and 13.0 percent for gas and oil, respectively. We are a small independent natural gas producer with operations in the Rocky Mountain region and mineral rights ownership throughout Montana. The company's early success was a result of relationships built with Montanans and wildcat drilling in the Williston Basin. As a result, Montana occupies a special place in our hearts.

We wish to voice our **strong opposition** to the proposed increase in oil and gas royalty rates. It is true that oil and gas prices have increased substantially over the past couple of years; however, prices are more volatile than ever, and given past history, it is unlikely that prices will remain elevated for an extended period of time. Recall that only two or three years ago, prices were the lowest they had been in decades. Further, the dearth of available drilling rigs has driven up the costs of finding oil and gas to all-time highs. The proposed increase of ***33.4 percent*** in natural gas royalties (***28.2 percent proposed increase on oil***) poses substantially more risks than rewards to the State of Montana for the following reasons:

1) At best, higher royalty rates would inhibit--and at worst, they would make impossible--further exploration and development of key natural resources by small producers such as ourselves, who bring on the majority of new production in Montana and throughout our great country. Lower production would be disastrous, especially at a time of strategic national need to *increase* our country's energy self-reliance.

2) Higher royalties would curtail the growth of high-paying jobs for Montanans because fewer companies could afford to responsibly explore and develop our natural resources. More jobs with higher associated compensation not only benefits the State's overall economy, but also *it especially helps its schools*. Clearly, the State needs *more* good jobs, not fewer of them.

I urge the Department to consider the short--as well as long-term--negative consequences of an increase in royalty rates—the benefits in *no* way outweigh the risks to the State's jobs and the nation's energy security.

Thank you for considering our comments.

Diane Thompson

J. C. Thompson Family Partnership LLLP
J. C. Thompson Operator, LLC
National Fuel Corporation

RECEIVED
AUG 0 2 2005
D.N.R.C.

AREA CODE 303
AREA CODE 303
PHONE 220-7772
FAX 220-7773

J. C. THOMPSON
INDEPENDENT OPERATOR
7979 EAST TUFTS AVENUE PARKWAY, #815
DENVER, COLORADO 80237

July 28, 2005

Monte Mason
Minerals Management Bureau Chief
Montana Department of Natural Resources and Conservation
Helena, MT 59620-1601

Re: Request for Comments—Oil & Gas Royalty Rates

Dear Mr. Mason:

This letter is in response to your request dated July 21, 2005. I am opposed to the increase being proposed by your department, and I will give you a few reasons. My comments should be read in the context that when I lived in Montana, I was variously a working geologist, an executive of a small oil company, and an independent operator. I lived in Montana from 1953 to 1972, and I can say without modesty that I contributed substantially to the petroleum exploration of Montana during that time. I generated prospects from Shelby to Havre to Melstone to Broadus and flew a light plane to supervise operations.

During those years there were repeated efforts by the officers and legislators of the State of Montana to impose more onerous terms in its oil and gas leases. As a result of these efforts, Montana gained an unsavory reputation in the industry for being opportunistic. Exploration declined for various reasons, and I moved to Colorado, where opportunities were better. I was not the only one to become discouraged with Montana, as can be noted by the decline in exploration throughout the state in the 1970's and 1980's.

The oil and gas industry is cyclical, and the current high prices likely will be followed by lower prices. If the current royalty schedule on State leases is replaced by a higher schedule, Montana leases will become less competitive; and wells will be prematurely abandoned, or worse, will not even be drilled.

If your Department is trying to drive out oil and gas exploration, this would be a very good start. Keep royalty rates as they are, and maintain a long range view that is necessary for exploration of the vast potential in Montana.

Yours truly,

J. C. Thompson

Mason, Monte

From: Trent Sizemore [trent.lonewolf@mtintouch.net]

Sent: Friday, July 22, 2005 11:49 AM

To: Mason, Monte

Subject: Increased Royalty

I find it hard to understand sometimes why we have a tendency to reach out to take more from people when they start to do better or come upon good times. How would it fly if the State should raise the rate of leases on farmers and ranchers because we have a good grass or crop year. I think a linch mob would be at that meeting.

I am not adverse to being fair, but one reason the State leases command better prices for bonus consideration than Fee is because of the fair royalty rate and the opportunity to still produce and explore in a marginal area. I am sure there are many scenarios we could put up that would be in favor of the change which is proposed, but they are all being set on facts for the moment. Lest we forget the crash in the 80's!!

As a landman and business owner in Montana I can tell you one thing about Montana's oil/gas business. Because of our tax system and the way our State treats the energy business please remember the following: "Montana is the first place the companies leave and the last place they come back to!!!

We have many opportunities here, but our overall atmosphere for energy is not as appealing compared to other states.

You must do what you think is right, but I will let you in on a secret an old timer in the oil business told me: "If times are great, you better start preparing for the roller coaster ride down. The ride up is slow and gradual, but the ride down is hold on for your life."

Respectfully,
Trent Sizemore
President
Lonewolf Energy, Inc.

Monte Mason
MT. DNRC
P.O. Box 201601
Helena, MT 59620-1601

July 26, 2005

RE: Letter in Lieu
Royalty Rates Increase

Gentlemen:

Taylor Well Operating has been doing business since 1992 in the state of Montana until recently the oil & gas industry has suffered with high production taxes and low prices, only the most resourceful have been able to stay in business. Every since the 1980's the cost of operating has more than tripled along with the cost of drilling for new resources. If the State Land Board raises the rates from 12.5% to 16.67% this will insure that TWO will not drill on any state owned land, also TWO believes that state owned land will not be leased and lands being leased will be terminated at the end of there term. I can only think of greed by the State of Montana. The production tax revenew has more than doubled or tripled since the oil & gas prices have gone up I think the state will suffer in the long run if it passes this tax and producers like myself will not lease or drill on state owned lands, there is plenty of other acreage available that will be leased.

Remember this state already has some of the highest if not the highest production taxes in the nation. Not to mention having to pay lease rentals every year on state owned land with production. No other lease TWO owns has to pay this. Its called held by production.

Why don't you look elsewhere for more money or cut some state fat out!

Taylor Well Operating

Mason, Monte

From: Colette Custer [colette@nemontel.net]
Sent: Friday, July 29, 2005 9:45 AM
To: Mason, Monte
Subject: Royalty Payments on State Land

As a royalty owner in the state, and after having recently negotiated an increased royalty percentage, I strong urge raising the royalty payment on state lands to the proposed 16.7% or even higher. I am a member of the Northeast Montana Land and Mineral Owners Association, I have received several pieces of information from people in the Richland County area who are getting up to 20% royalty fees. I doubt there is much concern from the oil companies since they are agreeing to this percentage, so I can't imagine why the state should settle for less than what the private sector is getting. The state has serious financial issues and this could only help.

Sincerely,

Colette J. Custer
115 Broadmore St
Plentywood, MT 59254

Mason, Monte

From: Artha Groves [arthagroves@atlanticbb.net]
Sent: Wednesday, August 03, 2005 1:50 PM
To: Mason, Monte
Subject: Royalty payments on State-owned land

Dear Mr. Mason,

It has just come to my attention that the State of Montana receives a lower percentage royalty payment for oil pumped from State-owned land than private royalty owners get. As a royalty owner myself, I have a hard time imagining why this would be so. Are oil companies, that are reporting record profits these days, really unwilling to pay the State what they pay individuals in royalties?

Unless the State of Montana is awash in money (can that be true?) I strongly urge you to raise the royalty payment on state-owned land to the proposed 16.7%, if not more. The State should certainly get what a private owner gets.

Sincerely,
Artha Groves
101 Cove Creek Road
Stevensville, MD 21666

DEPARTMENT OF NATURAL RESOURCES & CONSERVATION

Date: __7/29/05_____ Time: ____X___ a.m. ________ p.m.

File No./Name: _____Royalty Rate Review - Comment____________________________

Contact: _______Dave Gulbraa____

Address: _______Sidney, Montana____

Phone: ____

RESULTS OF CONVERSATION OR DISCUSSION:

He was born in Wibaux, Montana and has worked in oil and gas industry most of his life, in Texas, Montana, North Dakota and Wyoming. He also owns some mineral estate and has it leased at 1/6th royalty. He believes the State royalty rate should be at 1/6th or higher, and recommends 20% (1/5$^{th)}$.

FOLLOW-UP ACTION REQUIRED? Yes _____ No _____

____ _______________

DNRC Employee *Date*

Mason, Monte

From: Gary McCartney [mccartny@midrivers.com]
Sent: Wednesday, July 27, 2005 7:57 AM
To: Mason, Monte
Subject: Royalty Increase

Monte

I am not against the State increasing their royalty however I think it should be something like North Dakota - any land within a 3 mile radius of production is 1/6 the other is 1/8 - something like that.

McCartney Petroleum, Inc.
Gary D. McCartney, President
P.O.Box 1438
Sidney, MT 59270
406-488-7848
Fax: 406-433-7848

Mason, Monte

From: Linda Nelson [lnelson@nemontel.net]
Sent: Wednesday, July 27, 2005 1:01 PM
To: Mason, Monte
Subject: raising royalty on state lands

Mr. Mason:
I fully support raising the royalty payment on state lands to the proposed 16.7% if not more. As a member of the Northeast Montana Land and Mineral Owners Association, I am aware that private mineral owners in the Richland County area are currently negotiating royalty payments as high as 20 percent. If oil companies are agreeing to pay this to private owners, surely the state should not settle for a mere 13 percent. With the price of oil and gas being what it is, they can well afford to pay this minor increase, and it certainly won't shut down production. The state should not be settling for less than a private owner gets.

Thanks for considering my opinion.
Roger Nelson

O'TOOLE LAW FIRM
Attorneys at Law
209 North Main Street
P.O. Box 529
Plentywood, Montana 59254-0529

Loren J. O'Toole (406) 765-1630
Loren J. O'Toole II (Larry) Fax (406) 765-2945
Thomas J. Gaffney
E-mail
otoolelaw@yahoo.com

July 25, 2005

VIA E-MAIL: mmason@mt.gov

Mr. Monte Mason
Montana DNRC
Box 201601
Helena, MT 59620-1601

RE: Royalty Review
State of Montana Leases

Dear Monte:

I appreciate the opportunity to provide some suggestions concerning royalty rates on State oil and gas leases.

Do I believe that royalty rates should be increased? The answer is "yes", but the rates should perhaps not be the same in every county in Montana. Activity and the discovery of oil spur the increase in royalty. It could be that a universal rate of 16.6667% would deter leasing in some areas. Certainly areas that have been traditionally active can command the 1/6th royalty. Areas that have not been active cannot.

A case in point is the Fort Peck Reservation. The Tribe tried to go to a 25% royalty and leasing virtually ceased. The Tribe has now reduced the royalty to a 1/6th on all leases. As you are aware, the Fort Peck Reservation is in an active area in Eastern Montana and has had considerable development.

There is some leasing in Sheridan County where the royalty offered by the oil company is 1/8th and also some at 14% and 15%. I comment on this so you will know that not all leases are at a 1/6th royalty.

Although it might prove difficult, could there be some method of bidding, "percentage of royalty along with a cash bonus". I do not have a practical suggestion on this but raise the question in that I have seen leasing in Richland County at 18.75% and 20.00% royalty.

The State must proceed cautiously and continue to promote the development of its natural resources while receiving the fair share of royalty for the people of Montana.

If there is anything that I might be able to assist you with, please feel free to call on my office.

Very Truly Yours,

Loren J. O'Toole

LJO/jf

Mason, Monte

From: Linda, Gene, and Sarah Sentz [friends@3rivers.net]
Sent: Thursday, July 28, 2005 12:17 PM
To: Mason, Monte
Cc: Sexton, Mary
Subject: Royalty rate increase on O&G leases

Folks,

Regarding the proposed royalty rate increase on oil and gas leases on state school trust lands:

It's the right thing to do. Go for it.

Gene Sentz
PO Box 763
Choteau, MT 59422

Mason, Monte

From: TJKOIL@aol.com
Sent: Friday, July 22, 2005 4:10 PM
To: Mason, Monte
Subject: RE: Royalty Rate Comment

Dear Monte:

As a resident of the State of Montana and a Landman active in the oil and gas industry, I am please to see that the State is considering the increase in royalty rates for oil and gas leases to 1/6th. This is more in line with royalty rates offered mineral owners in drilling and producing areas of the State.

In conjunction with the royalty rate increase I would like to see the State do away with the required annual rentals on producing leases. The lessee should not be required to pay the rental under a producing lease if the lease at least meets the minimum rental payment, as the Federal leases require.

I would still like to see royalty rates on "rank wildcat" (not actively leased or explored) lands given a basic royalty rate of 1/8th. Wyoming has implemented this strategy.

Whatever happens with the royalty rates, the State is still faced with the fact that Montana is not a welcome place for the oil and gas industry. An increase in future royalty rates may be perceived as a revenue generator, but unless industry is allowed reasonable exploration and development opportunities in Montana, we will see no new revenue no matter what royalty rate is established. 1/6th of nothing is still nothing.

Thank you for allowing my comment.

Tim J. Keating
P.O. Box 50715
Billings, MT 59105
Phone: 800-324-7507
Fax: 406-256-3757
tjkoil@aol.com

VAN HYNING

July 24, 2005

Monte Mason
Montana DNRC
P.O. Box 201601
Helena, MT 59620-1601

SUBJ: July 20, 2005 - "ROYALTY RATE REVIEW ON STATE OIL AND GAS LEASES"

Dear Monte:

I have read the Montana Board of Land Commissioners letter to the public recommending an increase in royalty rates on state school trust lands from 12.5% for gas and 13.0% for oil to 16.67% for both. I believe this is appropriate in light of the increase in revenue the operator/owners are receiving from production off public lands sometimes as much as 3 and 4 times the total revenue for the same product as was received two years ago.

The goal of the State of Montana's school trust land is to manage for maximum revenue to the trust beneficiaries while considering environmental factors and protecting the future income-generating capacity of the land. This small increase in royalty is important to maintain the trust.

It is interesting the Federal Government starting February 2006 will end its discount rate for stripper wells. The discount rate of as little as .5% to the standard rate of 12.5%. The BLM regulations allow this discount to end when the inflation-adjusted price of oil has exceeded $28.00 a barrel for six consecutive months.

Montana natural gas producers in Central Montana sold their product in 2002 at rate of between $1.00 and $1.50 per Mcf, in 2004, $4.00 per Mcf and in 2005, $5.25 per Mcf. In this good economic climate for the oil and gas industry, this proposed increase is certainly warranted.

Sincerely,

Dyrek Van Hyning

VAN HYNING & ASSOC., INC.
P.O. Box 2931 (59403)
6835 43rd St. S.W.
Great Falls, MT 59404
(406) 453-6039 FAX (406) 452-8565